

Facilities that undergo a change of ownership must file a cost report from the date of change of ownership through the end of the ~~third month of ownership~~standard year end or other approved year end, as outlined in Section 1-3, A. ~~The Division of Medicaid may shorten or lengthen the reporting period of the initial cost report to not less than one (1) month or not more than four (4) months.~~

~~The base rate of the old owner will be used to set the interim rate for the new owner, excluding hold harmless payment and return on equity. The provider may request and, absent any good cause to deny, the executive director shall approve setting the new owner's rate using the maximum per diem rate for the interim period. The maximum per diem rate is defined for a NF as the ceiling for direct care and care related costs, allocated between the two cost centers based on the cost report filed by the previous owner that was used to compute the rate in effect on the date of the change of ownership, and adjusted for the case mix of the previous owner for the appropriate calendar quarter, plus the ceiling for administrative and operating costs, plus the gross rental per diem payment computed under the fair rental system as defined by this plan. Quarterly rate adjustments will be made to adjust for changes in the case mix score. The maximum per diem rate is defined for an ICF-MR and PRTE as the ceiling for direct care, therapy, care related and administrative and operating costs, plus the gross rental per diem payment computed under the fair rental system as defined by this plan. Under the maximum rate, the new owner will not receive a return on equity capital per diem or a property tax and insurance per diem until the initial cost report is filed.~~The cost report for the old owner for use in setting the rate on the effective date of the change of ownership will be used to set the base rates of the new owner until such time that the new owner's initial cost report is used under the regular rate setting schedule. Asset additions will be incorporated into the property rate using the regular schedule each January 1.

Adjustments to the old owner's cost report otherwise required under this plan will apply to the new owner (i.e. audit adjustments).

~~The new owner's interim rates will be adjusted retroactively based on~~Using the initial cost report, ~~after desk review. The rates for~~ computed based on the initial cost report of the new owner will be re-based for the second calendar year following the end of the new owner's initial cost report. ~~effective the same date the change of ownership was effective.~~

Example for September 1, 2012 Change of Ownership:

Effective Date	Base Rate	Cost Report Used	Trend Multiplier
January 1, 2012	\$175.00	Calendar year 2010	2.0
September 1, 2012	\$175.00	Calendar Year 2010	2.0
January 1, 2013	\$182.00	Calendar Year 2010	3.0
January 1, 2014	\$189.00	9/1 - 12/31/2012	1.667

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reports used to calculate the base rate will be the cost report filed for the period ending in the second calendar year prior to the beginning of the next calendar rate year. For example, the base rates effective January 1, 2001 will be determined from cost reports filed for the year ended June 30, 1999 for state owned facilities, for the year ended September 30, 1999 for county owned facilities and for the year ended December 31, 1999 (or other approved year end) for all other facilities, unless a short period cost report and rate calculation isare required by other provisions of this plan plan.

However, the per diem base rate effective January 1, 2010, will be used to determine nursing facility rates through June 30, 2011, for facilities in operation as of July 1, 2010. No adjustments to the base rate after January 1, 2010, otherwise required by this plan, will be used to determine nursing facility rates before July 1, 2011.

A description of the calculation of the per diem rate is as follows:

A. Direct Care Base Rate and Care Related Rate Determination

Direct care costs include salaries and fringe benefits for registered nurses (RN's), (excluding the Director of Nursing, the Assistant Director of Nursing and the Resident Assessment Instrument (RAI) Coordinator); licensed practical nurses (LPN's); nurse aides; feeding assistants; contract RN's, LPN's, and nurse aides, medical supplies and other direct care supplies; medical waste disposal; and allowable drugs.

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short period cost report and rate calculation is required by other provisions of this plan. Costs used in the rate calculations may be adjusted by the amount of anticipated increase in costs or decrease in costs due to federal or state laws or regulations.

However, the ICF-MR rates effective January 1, 2010, will be used for payment through June 30, 2011, for facilities in operation as of July 1, 2010. No adjustments to the rate after January 1, 2010, otherwise required by this plan, will be used to determine ICF-MR rates before July 1, 2011.

A description of the calculation of the rate is as follows:

A. Direct Care, Therapies, Care Related, and Administrative and Operating Rate Determination

1. Determine the per diem cost for direct care costs, therapies, care related costs, and administrative and operating costs for each facility during the cost report period. This is done by adding the total allowable costs for these cost centers and dividing the result by the total patient days.
2. Trend each facility's per diem cost as determined in 1, above, to the middle of the rate year using the ICF-MR and PRTF Trend Factor. This is done by multiplying the ICF-MR and PRTF Trend Factor in order to trend costs forward from the mid-point of

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the facility rate. For example, the rates effective January 1, 2001 will be determined from cost reports filed for the cost report year ended in 1999 unless a short period cost report and rate calculation is required by other provisions of this plan. Costs used in the rate calculations may be adjusted by the amount of anticipated increase in costs or decrease in costs due to federal or state laws or regulations.

However, the PRTF rates effective January 1, 2010, will be used for payment through June 30, 2011, for facilities in operation as of July 1, 2010. No adjustments to the rate after January 1, 2010, otherwise required by this plan, will be used to determine PRTF rates before July 1, 2011.

A description of the calculation of the rate is as follows:

A. Direct Care, Therapies, Care Related, and Administrative and Operating Rate Determination

1. Determine the per diem cost for direct care costs, therapies, care related costs, and administrative and operating costs for each facility during the cost report period. This is done by adding the total allowable costs for these cost centers and dividing the result by the total patient days.
2. Trend each facility's per diem cost as determined in 1, above, to the middle of the rate year using the ICF-MR and PRTF Trend Factor. This is done by multiplying the ICF-MR and PRTF Trend Factor in order to trend costs forward from the mid-point of the cost report period to the mid-point of the payment period.

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Facilities that undergo a change of ownership must file a cost report from the date of change of ownership through the end of the standard year end or other approved year end, as outlined in Section 1-3, A.

The cost report for the old owner for use in setting the rate on the effective date of the change of ownership will be used to set the base rates of the new owner until such time that the new owner's initial cost report is used under the regular rate setting schedule. Asset additions will be incorporated into the property rate using the regular schedule each January 1. Adjustments to the old owner's cost report otherwise required under this plan will apply to the new owner (i.e. audit adjustments). Using the initial cost report, the rate for the new owner will be re-based for the second calendar year following the end of the new owner's initial cost report.

Example for September 1, 2012 Change of Ownership:

<u>Effective Date</u>	<u>Base Rate</u>	<u>Cost Report Used</u>	<u>Trend Multiplier</u>
January 1, 2012	\$175.00	Calendar year 2010	2.0
September 1, 2012	\$175.00	Calendar Year 2010	2.0
January 1, 2013	\$182.00	Calendar Year 2010	3.0
January 1, 2014	\$189.00	9/1 - 12/31/2012	1.667

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reports used to calculate the base rate will be the cost report filed for the period ending in the second calendar year prior to the beginning of the next calendar rate year. For example, the base rates effective January 1, 2001 will be determined from cost reports filed for the year ended June 30, 1999 for state owned facilities, for the year ended September 30, 1999 for county owned facilities and for the year ended December 31, 1999 (or other approved year end) for all other facilities, unless a short period cost report and rate calculation are required by other provisions of this plan.

However, the per diem base rate effective January 1, 2010, will be used to determine nursing facility rates through June 30, 2011, for facilities in operation as of July 1, 2010. No adjustments to the base rate after January 1, 2010, otherwise required by this plan, will be used to determine nursing facility rates before July 1, 2011.

A description of the calculation of the per diem rate is as follows:

A. Direct Care Base Rate and Care Related Rate Determination

Direct care costs include salaries and fringe benefits for registered nurses (RN's), (excluding the Director of Nursing, the Assistant Director of Nursing and the Resident Assessment Instrument (RAI) Coordinator); licensed practical nurses (LPN's); nurse aides; feeding assistants; contract RN's, LPN's, and nurse aides, medical supplies and other direct care supplies; medical waste disposal; and allowable drugs.

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short period cost report and rate calculation is required by other provisions of this plan. Costs used in the rate calculations may be adjusted by the amount of anticipated increase in costs or decrease in costs due to federal or state laws or regulations.

However, the ICF-MR rates effective January 1, 2010, will be used for payment through June 30, 2011, for facilities in operation as of July 1, 2010. No adjustments to the rate after January 1, 2010, otherwise required by this plan, will be used to determine ICF-MR rates before July 1, 2011.

A description of the calculation of the rate is as follows:

A. Direct Care, Therapies, Care Related, and Administrative and Operating Rate Determination

1. Determine the per diem cost for direct care costs, therapies, care related costs, and administrative and operating costs for each facility during the cost report period. This is done by adding the total allowable costs for these cost centers and dividing the result by the total patient days.
2. Trend each facility's per diem cost as determined in 1, above, to the middle of the rate year using the ICF-MR and PRTF Trend Factor. This is done by multiplying the ICF-MR and PRTF Trend Factor in order to trend costs forward from the mid-point of

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the facility rate. For example, the rates effective January 1, 2001 will be determined from cost reports filed for the cost report year ended in 1999 unless a short period cost report and rate calculation is required by other provisions of this plan. Costs used in the rate calculations may be adjusted by the amount of anticipated increase in costs or decrease in costs due to federal or state laws or regulations.

However, the PRTF rates effective January 1, 2010, will be used for payment through June 30, 2011, for facilities in operation as of July 1, 2010. No adjustments to the rate after January 1, 2010, otherwise required by this plan, will be used to determine PRTF rates before July 1, 2011.

A description of the calculation of the rate is as follows:

A. Direct Care, Therapies, Care Related, and Administrative and Operating Rate Determination

1. Determine the per diem cost for direct care costs, therapies, care related costs, and administrative and operating costs for each facility during the cost report period. This is done by adding the total allowable costs for these cost centers and dividing the result by the total patient days.
2. Trend each facility's per diem cost as determined in 1, above, to the middle of the rate year using the ICF-MR and PRTF Trend Factor. This is done by multiplying the ICF-MR and PRTF Trend Factor in order to trend costs forward from the mid-point of the cost report period to the mid-point of the payment period.